

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Lone Star Land & Energy II, LLC (Lone Star), 300 N. Coit Road, Suite 950, Richardson, Texas, 75080, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in the Notice of Violation docket number 5422-14 (Notice of Violation). The Notice of Violation alleged that Lone Star violated the Wyoming Environmental Quality Act (Act), the Wyoming Air Quality Standards and Regulations (Air Quality Rules), and Permit CT-12707 (Permit) by (1) failing initial NO_x and CO performance tests for the Arrow A54 engine (Engine), and (2) failing to retest the Engine within the required timeframe at the State 15-65-8-1H facility located in Laramie County (Facility).

Wyo. Stat. Ann. § 35-11-901(a)(ii) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Lone Star and the DEQ/AQD hereby agree as follows:

1. Lone Star is a Texas company authorized to do business in Wyoming. Lone Star was the owner and operator of the Facility at the time the violations alleged in the Notice of Violation occurred.
2. Lone Star is a "person," as defined by the Act at § 35-11-103(a)(vi).
3. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.
4. The Act provides, "[n]o person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the [environmental quality] council." Wyo. Stat. Ann. § 35-11-201.
5. The Act states, "In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards." Wyo. Stat. Ann. § 35-11-801.
6. On March 19, 2012, DEQ/AQD issued the Permit to Lone Star for the Facility.
7. Condition 15 of the Permit limits the Engine to NO_x emissions of 1.0 gram per horsepower hour (g/hp-hr), 0.2 pounds per hour (lb/hr), and 0.7 tons per year (tpy) and CO emissions of 1.0 g/hp-hr, 0.2 lb/hr, and 0.7 tpy.
8. Condition 17 of the Permit requires Lone Star to provide notice of a failed performance test to DEQ/AQD within twenty-four (24) hours. Condition 17 further requires Lone Star to perform tests demonstrating compliance with permit limits within seven (7) days of the initial failed test.

9. On May 7, 2013, Lone Star conducted two rounds of initial performance tests for the Engine. The lowest test results were as follow:

- a. NO_x emissions at 1.99 g/hp-hr, 0.3 lb/hr, and 1.31 tpy;
- b. CO emissions at 1.57 g/hp-hr, 0.24 lb/hr, and 1.03 tpy.

10. On May 17, 2013, DEQ/AQD Inspector Ms. Carla Mlinar inspected the Facility. During the inspection, Lone Star verbally informed her that the Engine had failed the initial performance test. At that time, Lone Star did not provide DEQ/AQD with a copy of the performance test results.

11. On September 12, 2013, Lone Star re-tested the Engine, and all values were below permitted emission limits.

12. On May 19, 2014, DEQ/AQD issued Notice of Violation 5422-14 to Lone Star. The Notice of Violation alleged that Lone Star was in violation of the Act, the Air Quality Rules, and Conditions 15 and 17 of the Permit. The alleged violations were that the Engine failed its initial performance test, and that Lone Star failed to retest the Engine within the permitted time frame.

13. On September 1, 2014, Lone Star transferred the Facility and the Permit to EOG Resources, Inc.

14. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Lone Star agrees to pay to the DEQ/AQD the amount of seven thousand dollars and no cents (\$7,000.00) as a stipulated penalty to resolve the violations alleged in the aforementioned Notice of Violation. Lone Star agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Lone Star has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Lone Star agrees to mail the payment to Ann Shed, Compliance Program Principal, DEQ/AQD, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

15. Lone Star, by entering into this Agreement, does not concede or admit any liability, fault, or statutory noncompliance. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Lone Star may have against any entity.

16. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Lone Star arising from the allegations contained within the Notice of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Lone Star for these particular alleged violations. By this Agreement, the Parties intend to resolve with prejudice all allegations that are contained within the Notice of Violation and this Agreement.

17. In the event that Lone Star fails to fulfill its obligations under this Agreement, Lone Star waives any statute of limitation claims that may apply in an enforcement action by the

DEQ/AQD involving the specific matters described in the Notice of Violation or otherwise set forth in this Agreement.

18. This Agreement shall be admissible by either Lone Star or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and Lone Star relating to the violations alleged herein.

19. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor Lone Star shall have any claim against the other for attorneys' fees, or any other costs related to the preparation and resolution of this Agreement.

20. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties, incorporated by written instrument, executed, and signed by all parties to this Agreement.

21. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

22. This Agreement, consisting of four (4) pages represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

23. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

24. The parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the parties to this Agreement, and shall inure solely to the benefit of the parties to this Agreement. The parties to this Agreement intend and expressly agree that only parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

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25. Each party represents that they are authorized to enter into this Agreement, agrees to comply with and to be bound by the terms of this Agreement, and further agrees that they will not contest the basis or validity of this Agreement. This Agreement shall become binding upon the parties once executed.

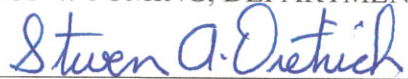
IN WITNESS THEREOF, the parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

LONE STAR LAND & ENERGY II, LLC:

By: 
Michael W. Taylor
Manager

June 2, 2015
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

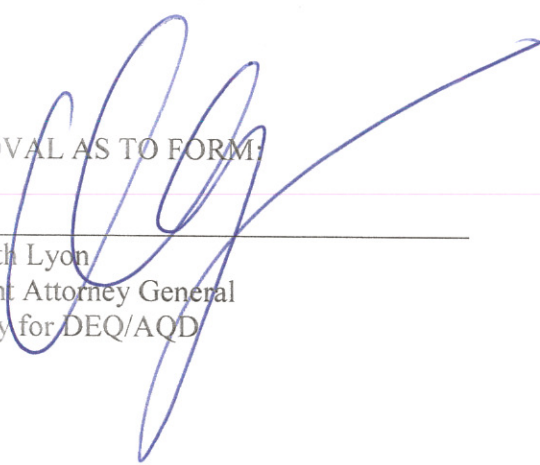
By: 
Steven A. Dietrich, AQD Administrator

6-8-15
Date

By: 
Todd Parfitt, DEQ Director

6/9/15
Date

APPROVAL AS TO FORM:


Elizabeth Lyon
Assistant Attorney General
Attorney for DEQ/AQD

6/11/15
Date